



GALUSHA  
HIGGINS  
& GALUSHA<sup>PC</sup>  
EST. 1919

A PROFESSIONAL CORPORATION OF  
CERTIFIED PUBLIC ACCOUNTANTS AND ADVISORS

910 N. Last Chance Gulch, Helena, MT 59601  
P.O. Box 1699, Helena, MT 59624

Phone (406) 442-5520  
Fax (406)-443-1017

[www.ghg-cpa.com](http://www.ghg-cpa.com)

October 30, 2012

By Electronic Mail

**For the State of Montana**

William B. Kirley  
Department of Environmental Quality  
1100 N. Last Chance Gulch  
P.O. Box 200901  
Helena, Montana 59620-0901

Robert G. Collins/Mary Capdeville  
Montana Department of Justice  
1301 Lockey Avenue  
P.O. Box 201425  
Helena, Montana 59620-1425

**For the United States**

Alan Tenenbaum/Elliott Rockler  
Environmental Enforcement Section  
Environment & Natural Resources Div.  
U. S. Department of Justice  
P.O. Box 7611  
Ben Franklin Station  
Washington, D.C. 20044-7611

Chuck Figur  
Senior Attorney  
US EPA Region 8 (ENF-L)  
1595 Wynkoop Street  
Denver, CO 80202-1129

Julie DalSoglio  
Office Director  
US EPA Region 8—Montana Office  
10 West 15th Street Suite 3200  
Helena, MT 59626

Dana Jacobsen  
Department of the Interior  
Office of the Solicitor  
2850 Youngfield Street  
Lakewood, Colorado 80215

Amy L. Horner  
Department of the Interior  
Environmental Restoration Branch  
Division of Parks and Wildlife  
Office of the Solicitor  
1849 C St NW MS 3210  
Washington, DC 20240

Robert Kirkpatrick  
Regional Environmental Engineer  
Northern Region  
USDA Forest Service  
Federal Building  
P.O. Box 7669  
Missoula, MT 59807

Dear Ladies and Gentlemen:

As accountants to the Montana Environmental Trust Group, LLC, Trustee for the Montana Environmental Custodial Trust (the Custodial Trust), Galusha, Higgins & Galusha, PC hereby submits the attached financial statements for the following Custodial Trust Accounts to the beneficiaries of the Custodial Trust:

- (1) The Custodial Trust Administrative Account;
- (2) The East Helena Cleanup Account;
- (3) The Mike Horse/Upper Blackfoot Mining Complex Cleanup Account; and
- (4) The Black Pine Cleanup Account

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October 30, 2012  
Beneficiary Letter

The attached financial statements cover the quarter ending September 30, 2012 and are submitted pursuant to the Custodial Trust's obligations under ¶6.1 of the Environmental Custodial Trust Agreement (Attachment D to the Consent Decree and Settlement Agreement Regarding the Montana Sites).

Please do not hesitate to contact me or Cindy Brooks with any questions pertaining to the attached.

Sincerely,

  
Galusha Higgins & Galusha

Attachments

cc: Cynthia Brooks—METG  
Betsy Burns—EPA-8  
Jennifer Roberts—Galusha  
Joe Vranka—EPA-8  
Marc Weinreich—METG  
Jim Ford – METG

**Montana Environmental Custodial Trust**  
**Custodial Trust Administrative Account**

STATEMENT OF FINANCIAL POSITION

*September 30, 2012*

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ASSETS

Current assets

Cash	\$ 211,626.24
Money market	-
Due from other cost centers	-
Total current assets	<u>211,626.24</u>

Investments

Total assets	<u>7,445,912.24</u> <u><u>\$ 7,657,538.48</u></u>
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LIABILITIES AND NET ASSETS

Accounts payable	\$ 48,523.57
Due to other cost centers	58.00
	<u>48,581.57</u>

Net assets

Total net assets and liabilities	<u>7,608,956.91</u> <u><u>\$ 7,657,538.48</u></u>
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**Montana Environmental Custodial Trust**  
**Custodial Trust Administrative Account**

STATEMENT OF ACTIVITIES

*For the quarter ending September 30, 2012*

	Sep-12	YTD	Annual Budget	Variance	Percentage of Budget
Revenues:					
Interest income	\$ -	\$ 2.36	\$ -	\$ 2.36	0.00%
Investment income, net of fees and unrealized gains	51,498.91	122,650.69	-	122,650.69	0.00%
Total revenues	51,498.91	122,653.05	-	122,653.05	0.00%
Expenses:					
1.A Financial Affairs					
1.A.1 Galusha, Higgins & Galusha, PC	12,064.61	34,119.96	64,400.00	(30,280.04)	52.98%
1.A.2 GETG Professional Fees	2,193.75	12,775.00	24,413.00	(11,638.00)	52.33%
1.A Financial Affairs Total	14,258.36	46,894.96	88,813.00	(41,918.04)	52.80%
1.B Non-Routine Costs	1,092.00	2,059.00	2,500.00	(441.00)	0.00%
1.C Property Taxes					
1.C.1 East Helena	-	75,511.35	166,146.00	(90,634.65)	45.45%
1.C.2 UBMC-Mike Horse	-	1,554.78	2,312.00	(757.22)	67.25%
1.C.3 Black Pine	-	3,323.74	7,313.00	(3,989.26)	45.45%
1.C.4 Iron Mountain	-	135.88	319.00	(183.12)	42.60%
1.C.5 GETG Professional Fees	-	-	1,800.00	(1,800.00)	0.00%
1.C Property Taxes Total	-	80,525.75	177,890.00	(97,364.25)	45.27%
1.D Beneficiary Communications	506.25	506.25	2,700.00	(2,193.75)	18.75%
1.E Multi-Stakeholder Communications	-	-	1,800.00	(1,800.00)	0.00%
1.F Site Security					
1.F.1 East Helena	4,811.77	10,530.93	19,397.00	(8,866.07)	54.29%
1.F.2 UBMC-Mike Horse	15,430.14	15,854.27	22,400.00	(6,545.73)	70.78%
1.F.3 Black Pine	4,754.86	14,467.70	41,174.00	(26,706.30)	35.14%
1.F.4 Iron Mountain	-	-	-	-	0.00%
1.F Site Security Total	24,996.77	40,852.90	82,971.00	(42,118.10)	49.24%
1.G Insurance					

**Montana Environmental Custodial Trust**  
**Custodial Trust Administrative Account**

STATEMENT OF ACTIVITIES

*For the quarter ending September 30, 2012*

	Sep-12	YTD	Annual Budget	Variance	Percentage of Budget
1.G.1 Commercial General Liability	-	46,237.50	46,463.00	(225.50)	99.51%
1.G.2 Vehicle-Equipment Insurance	-	6,800.00	6,800.00	-	100.00%
1.G.3 Property Insurance	738.00	13,438.93	13,190.00	248.93	101.89%
1.G.4 Other Insurance	-	-	-	-	0.00%
1.G.5 GETG Professional Fees	393.75	3,262.50	4,725.00	(1,462.50)	69.05%
1.G Insurance Total	1,131.75	69,738.93	71,178.00	(1,439.07)	97.98%
1.H Trust Legal Affairs					
1.H.1 Outside Council	220.38	1,007.88	2,250.00	(1,242.12)	44.79%
1.H.2 Records Segregation Costs	14,020.27	25,157.89	37,131.00	(11,973.11)	0.00%
1.H.3 GETG Professional Fees	618.75	956.25	6,375.00	(5,418.75)	0.00%
1.H.4 Water Rights	-	4,801.75	15,375.00	(10,573.25)	31.23%
1.H Trust Legal Affairs Total	14,859.40	31,923.77	61,131.00	(29,207.23)	52.22%
1.I Unpatented Mining Claim Maint.					
1.I.1 Fees for Unpatented Mining Claims	47,040.00	47,040.00	47,040.00	-	100.00%
1.I.2 GETG Professional Fees	112.50	112.50	225.00	(112.50)	50.00%
1.I Unpatented Mining Claim Maint. Total	47,152.50	47,152.50	47,265.00	(112.50)	99.76%
1.J Trustee Direct Expenses	18,689.92	18,689.92	42,702.00	(24,012.08)	43.77%
1.K Property Sales					
1.K.1 East Helena	562.50	900.00	10,000.00	(9,100.00)	9.00%
Total expenses	123,249.45	339,243.98	588,950.00	(249,706.02)	57.60%
Change in net assets	(71,750.54)	(216,590.93)	<u>\$ (588,950.00)</u>	<u>\$ 372,359.07</u>	<u>36.78%</u>
Net assets, beginning of period	7,680,707.45	7,825,547.84			
	<u>\$ 7,608,956.91</u>	<u>\$ 7,608,956.91</u>			

**Montana Environmental Custodial Trust**

**East Helena Clean-up Account**

STATEMENT OF FINANCIAL POSITION

*September 30, 2012*

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ASSETS

Current assets

Cash	\$ 216,166.96
Accounts receivable	6,481.84
Due from other cost centers	-
Total current assets	<u>222,648.80</u>

Investments

Total assets	<u>91,703,967.18</u>
	<u><u>\$ 91,926,615.98</u></u>

LIABILITIES AND NET ASSETS

Liabilities

Accounts payable	\$ 1,543,415.71
Due to other cost centers	-
Total current liabilities	<u>1,543,415.71</u>

Net assets

Total net assets and liabilities	<u>90,383,200.27</u>
	<u><u>\$ 91,926,615.98</u></u>

**Montana Environmental Custodial Trust**  
**East Helena Clean-up Account**  
STATEMENT OF ACTIVITIES  
*For the quarter ending September 30, 2012*

	Sep-12	YTD	Annual Budget	Variance	Percentage of Budget
Revenues:					
2.RNT · Rental Income	15,972.08	57,169.02	162,561.00	(105,391.98)	35.17%
Investment income, net of fees and unrealized gains	620,992.14	672,358.41	-	672,358.41	0.00%
Total revenues	636,964.22	729,527.43	162,561.00	566,966.43	448.77%
Expenses:					
2.A · Water Treatment Plant	17,560.24	71,059.21	192,626.00	(121,566.79)	36.89%
2.B · General Site Operations	228,600.16	368,813.46	506,871.00	(138,057.54)	72.76%
2.C · Disposal	691.30	4,546.76	56,100.00	(51,553.24)	8.10%
2.D · Slag Pile	-	2,639.54	55,500.00	(52,860.46)	4.76%
2.E · Tenants	4,057.75	4,832.75	16,500.00	(11,667.25)	29.29%
2.F · RCRA & CERCLA Compliance	201.50	600.00	17,000.00	(16,400.00)	3.53%
2.G · Ongoing GW/SW Characterization	58,519.60	194,866.89	586,728.00	(391,861.11)	33.21%
2.H · RCRA Phase II Characterization	-	-	25,000.00	(25,000.00)	0.00%
2.I · RCRA RFI Risk Assessment	11,991.58	11,991.58	29,125.00	(17,133.42)	41.17%
2.J · Interim Measures	1,268,488.01	2,530,620.71	10,608,410.00 *	(8,077,789.29)	23.85%
2.K · Documents & Records	-	1,080.72	108,000.00	(106,919.28)	0.00%
2.M · CERCLA Environmental Trust ROD	2,073.61	2,323.61	6,480.00	(4,156.39)	0.00%
2.N · Financial Affairs	14,803.14	147,704.65	200,250.00 *	(52,545.35)	73.76%
2.O · Redevelopment	13,407.11	76,440.71	104,600.00	(28,159.29)	73.08%
2.P · Communications/Community Relations	237.63	9,991.82	49,386.00	(39,394.18)	20.23%
2.R · Legal Activities	32,414.95	84,458.88	140,000.00	(49,928.62)	64.34%
2.S · Trustee Fees & Expenses	119,868.75	396,056.25	290,700.00 *	111,250.00	138.03%
2.T · Trustee On-Site Project Management	148,155.13	410,936.10	589,000.00 *	(178,063.90)	69.77%
Total expenses	1,921,070.46	4,318,963.64	13,582,276.00	(9,251,806.11)	31.80%
Change in net assets	(1,284,106.24)	(3,589,436.21)	(\$13,419,715.00)	\$9,818,772.54	26.75%
Net assets, beginning of period	91,667,306.51	93,972,636.48			
Net assets, end of period	\$ 90,383,200.27	\$ 90,383,200.27			

\* Budget amendments awaiting final approval by Lead Agency.

**Montana Environmental Custodial Trust**  
**Mike Horse/UBMC Clean-up Account**

STATEMENT OF FINANCIAL POSITION

*September 30, 2012*

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ASSETS

Current assets

Cash	\$ 127,264.01
Prepaid expenses	47,203.89
Due from other cost centers	58.00
Total current assets	<u>174,525.90</u>

Investments

Total assets	<u>7,395,073.65</u> <u><u>\$ 7,569,599.55</u></u>
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LIABILITIES AND NET ASSETS

Liabilities

Accounts payable	\$ 25,027.31
Due to other cost centers	-
Total current liabilities	<u>25,027.31</u>

Net assets

Total net assets and liabilities	<u>7,544,572.24</u> <u><u>\$ 7,569,599.55</u></u>
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**Montana Environmental Custodial Trust**  
**Mike Horse/UBMC Clean-up Account**

STATEMENT OF ACTIVITIES

*For the quarter ending September 30, 2012*

	Sep-12	YTD	Annual Budget	Variance	Percentage of Budget
Revenues:					
Interest income - DEQ	\$ 26.53	\$ 115.99	\$ -	\$ 115.99	#DIV/0!
Investment income, net of fees and unrealized gains	51,946.24	134,760.72	-	134,760.72	#DIV/0!
Total revenues	51,972.77	134,876.71	-	134,876.71	0.00%
Expenses:					
4.1 MT DEQ Expenses					
4.A Personnel (MT DEQ)	2,714.21	14,660.09	44,481.00	(29,820.91)	32.96%
4.DEQ Direct & Indirect Expenses	542.14	3,349.14	11,936.00	(8,586.86)	28.06%
4.1 Total MT DEQ Expenses	3,256.35	18,009.23	56,417.00	(38,407.77)	31.92%
4.2 Other Expenses					
4.C Equipment					
1-63100-02 Repair 200ft Mike Horse Adit (cave-in)	-	-	20,000.00	(20,000.00)	0.00%
1-63113-02 Secondary Containment at Feed Tank	-	-	5,000.00	(5,000.00)	0.00%
1-63113-03 Spare Parts	15,616.16	24,497.04	25,000.00	(502.96)	97.99%
1-63113-04 Concrete for Under Building	4,400.08	4,400.08	8,500.00	(4,099.92)	51.77%
1-63113-05 Sludge Bin Under Filter Press	17,372.87	17,372.87	18,500.00	(1,127.13)	93.91%
1-63113-06 Additional Optimization Equipment	20,225.55	125,528.41	139,000.00	(13,471.59)	90.31%
1-63113-10 Polymer Mixing & Metering System	-	5,000.00	5,000.00	-	100.00%
4.C Equipment Total	57,614.66	176,798.40	221,000.00	(44,201.60)	80.00%
4.D Supplies					
WTP Supplies	9,577.29	16,427.29	32,800.00	(16,372.71)	50.08%
1-62244 Chemicals	23,787.63	52,252.29	90,000.00	(37,747.71)	58.06%
4.D Supplies Total	33,364.92	68,679.58	122,800.00	(54,120.42)	55.93%
4.E Contractual					
1-62102-01 Trust/WTS Direct WTP O&M	19,071.75	70,283.75	92,925.00	(22,641.25)	75.63%
1-62102-02 Trust METG O&M Oversight	2,700.00	10,237.50	67,500.00	(57,262.50)	15.17%
1-62102-12 Optimization Technical Assistance	-	-	92,200.00	(92,200.00)	0.00%
1-62102-27 WTP Operation - CDM Contract	-	63,381.00	118,220.00	(54,839.00)	53.61%

**Montana Environmental Custodial Trust**  
**Mike Horse/UBMC Clean-up Account**

STATEMENT OF ACTIVITIES

*For the quarter ending September 30, 2012*

	Sep-12	YTD	Annual Budget	Variance	Percentage of Budget
1-62102-31 MET Service Contract	6,484.00	11,253.00	26,500.00	(15,247.00)	42.46%
1-62102-204 Paul Brox-Health and Safety	1,655.00	1,655.00	2,000.00	(345.00)	82.75%
1-62102-531 HVAC/Lighting Mod Design	3,894.00	3,894.00	20,000.00	(16,106.00)	19.47%
Custodial Trust WTP Operators	36,346.79	69,613.91	126,920.00	(57,306.09)	54.85%
Hydrometrics	2,388.26	17,016.26	45,258.00	(28,241.74)	37.60%
4.E Contractual Total	72,539.80	247,334.42	591,523.00	(344,188.58)	41.81%
4.F Construction					
1-62102-121 Unforeseen Emergency	-	-	50,000.00	(50,000.00)	0.00%
1-62102-221 Cell 5 Reconstruction	18,307.09	18,307.09	24,000.00	(5,692.91)	76.28%
1-62102-231 HVAC/Lighting Mod	8,772.53	34,696.98	130,000.00	(95,303.02)	26.69%
1-62102-232 Conveyance Line	-	-	15,000.00	(15,000.00)	0.00%
1-62102-233 Building Repairs	339.63	339.63	10,000.00	(9,660.37)	3.40%
1-62102-42 Storm water Maintenance/Upgrades	5.98	5.98	5,000.00	(4,994.02)	0.12%
4.F Construction Total	27,425.23	53,349.68	234,000.00	(180,650.32)	22.80%
4.G Other					
1-62102-51 GHG Accounting	2,901.79	11,308.11	21,500.00	(10,191.89)	52.60%
Lab Analysis & Data Validation	5,415.41	19,091.45	53,600.00	(34,508.55)	35.62%
1-62186 Waste Disposal	2,758.12	5,508.54	13,000.00	(7,491.46)	42.37%
1-62232 Safety Supplies/Minor Equipment	1,492.82	1,648.76	2,500.00	(851.24)	65.95%
1-62243 Weed Control	1,200.00	1,200.00	1,500.00	(300.00)	80.00%
WTP Utilities	13,159.69	48,489.72	75,940.00	(27,450.28)	63.85%
1-62891 Handyman Charges	468.00	1,252.60	13,000.00	(11,747.40)	9.64%
4.G Other Total	27,395.83	88,499.18	181,040.00	(92,540.82)	48.88%
4.2 Total Other Expenses	218,340.44	634,661.26	1,350,363.00	(715,701.74)	47.00%
Total expenses	221,596.79	652,670.49	1,406,780.00	(754,109.51)	46.39%
Change in net assets	(169,624.02)	(517,793.78)	(1,406,780.00)	888,986.22	36.81%
Net assets, beginning of period	7,714,196.26	8,062,366.02			
Net assets, end of period	<u>\$ 7,544,572.24</u>	<u>\$ 7,544,572.24</u>			

**Montana Environmental Custodial Trust**

**Black Pine Clean-up Account**

STATEMENT OF FINANCIAL POSITION

*September 30, 2012*

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ASSETS

Current assets

Cash	\$ 2,562.90
Money Market	225,300.12
Prepaid expenses	396,772.12
Total current assets	<u>624,635.14</u>

Investments

Total assets	<u>16,770,742.23</u>
	<u><u>\$ 17,395,377.37</u></u>

LIABILITIES AND NET ASSETS

Liabilities

Accounts payable	\$ 2,366.48
Due to other cost centers	-
Total current liabilities	<u>2,366.48</u>

Net assets

Total net assets and liabilities	<u>17,393,010.89</u>
	<u><u>\$ 17,395,377.37</u></u>

**Montana Environmental Custodial Trust**  
**Black Pine Clean-up Account**

STATEMENT OF ACTIVITIES

*For the quarter ending September 30, 2012*

	Sep-12	YTD	Annual Budget	Variance	Percentage of Budget
Revenues:					
Interest Income - DEQ	\$ 217.93	\$ 1,164.48	\$ -	\$ 1,164.48	0.00%
Interest Income - MM	90.20	300.12	-	300.12	0.00%
Investment income, net of fees and unrealized gains	111,893.94	267,550.61	-	267,550.61	0.00%
Total revenues	112,202.07	269,015.21	-	269,015.21	0.00%
Expenses:					
5.1 Trustee Costs from Clean-up Account					
2-2-01 Trustee Services/Expenses-Cox	-	-	1,000.00	(1,000.00)	0.00%
2-2-02 Trustee Services/Expenses-Marc	168.75	618.75	11,760.00	(11,141.25)	5.26%
2-2-03 Mine Maintenance/Security	4,557.00	12,755.23	16,926.00	(4,170.77)	75.36%
2-2-04 Generator Maintenance	-	-	4,000.00	(4,000.00)	0.00%
2-2-51 Accounting Services	1,365.38	4,014.00	11,000.00	(6,986.00)	36.49%
2-62401 Mileage	197.86	1,255.71	2,330.00	(1,074.29)	53.89%
2-62405 Snowmobile	-	517.50	908.00	(390.50)	56.99%
5.1.1 Utilities					
2-62371 Telephone	-	-	540.00	(540.00)	0.00%
2-62601 Electricity	1,448.20	4,882.28	7,600.00	(2,717.72)	64.24%
2-62607 Propane	-	-	2,760.00	(2,760.00)	0.00%
5.1.1 Utilities Total	1,448.20	4,882.28	10,900.00	(6,017.72)	44.79%
5.1.2 Permits					
2-62823-01 Operating Permit (#00063)	-	-	100.00	(100.00)	0.00%
2-62823-02 Storm Water (#MTR300080)	-	1,125.00	1,125.00	-	100.00%
2-62823-03 Air Quality (#1630)	-	-	825.00	(825.00)	0.00%
5.1.2 Permits Total	-	1,125.00	2,050.00	(925.00)	54.88%
5.1 Trustee Costs Total	7,737.19	25,168.47	60,874.00	(35,705.53)	41.35%
5.2 DEQ Costs	15,928.64	165,818.51	789,234.00	(63,468.34)	21.01%
Total expenses	23,665.83	190,986.98	850,108.00	(99,173.87)	22.47%
Change in net assets	88,536.24	78,028.23	\$ (850,108.00)	\$ 368,189.08	-9.18%
Net assets, beginning of period	17,304,474.65	17,314,982.66			
Net assets, end of period	\$ 17,393,010.89	\$ 17,393,010.89			